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SUBJECT: NEW ECONOMY MINISTER STILL GETTING UP TO SPEED

Classified By: Ambassador E.A. Wayne for Reasons 1.4 (b,d)

¶1. (C) Summary: Ambassador paid a courtesy call on newly appointed Economy Minister Carlos Fernandez May 28, highlighting Paris Club and advocacy on behalf of U.S. investors as key issues to discuss in future meetings. The Minister said he is getting up to speed on the issues, but is mostly focusing on the ongoing agricultural sector strike. He said he wanted to maintain a close relationship with the Embassy and USG, and expressed interest in the potential for U.S. investment. Ambassador noted that Argentina would likely face some criticism over its agricultural policies at the upcoming UN/FAO meeting in Rome, and the Minister promised to raise this with the President. End Summary.

¶2. (C) Ambassador Wayne paid a courtesy call on newly appointed Economy Minister Carlos Fernandez May 28, in advance of a May 29 meeting between the Minister and visiting Senator Christopher Dodd (reported septel). The Ambassador mentioned that the Embassy had maintained a regular dialogue with the Minister's predecessors on issues such as Paris Club, advocacy cases for U.S. companies with disputes against the GoA, and opportunities for U.S. investment, and hoped to continue a similar dialogue with the Minister and his new team.

¶3. (C) The Ambassador said he was aware that the Minister's immediate predecessor, Martin Lousteau, had completed a draft proposal to negotiate a debt restructuring deal for Argentina's \$8 billion debt to Paris Club creditors, and had sent it to the President for consideration just prior to his April 24 resignation. The Ambassador added that to date Argentina has not presented any kind of proposal, but emphasized that the U.S. and other creditors are ready to engage in good-faith negotiations.

¶4. (C) Minister Fernandez noted that he is still getting up to speed on the issues, and has been focused almost exclusively on the ongoing agricultural sector strike. He highlighted his long experience working on economic issues, characterized himself as "technical," as opposed to political, and claimed to be trying to "take charge" of the issues in his area of responsibility. He commented that many of the issues he is responsible for are highly sensitive, and asked for time to get familiar with them before engaging in detailed discussions with the Embassy. That said, he admitted that Paris Club was a top concern, and he hoped soon to have an in-depth conversation about it with the Ambassador.

¶5. (SBU) The Minister commented that a top concern for him and the GoA is to attract more foreign investment, and he asked for the Ambassador's views on the level of interest among U.S. companies in investing in Argentina. The Ambassador responded that there are in the range of 500 U.S. companies operating in Argentina, providing over 150,000 jobs. He noted that, in recent years, the greatest interest

has been from information technology and financial services companies, looking to take advantage of Argentina's talented and competitively priced labor pool and solid infrastructure.

However there has also been great interest from retail operations such as Wal-Mart.

¶6. (SBU) EconOff added that Argentina is home to the regional headquarters of many U.S. companies for Spanish-speaking South America, and many companies are also setting up back-office operations (i.e., payroll, accounting, market research) in Buenos Aires to serve the region. The Ambassador highlighted biotech as another area of possible growth, but pointed out that the legal battle between the GoA and Monsanto over royalties for round-up ready soybeans is an obstacle to convincing other U.S. biotech companies that the GoA protects intellectual property rights.

¶7. (C) The Minister confirmed that President Cristina Fernandez de Kirchner planned to attend the FAO/UN conference on world food security in Rome, June 3-5. The Ambassador noted that the focus of the meeting would likely be on the causes and effects of high world food prices. He warned that Argentina might face criticism at the meeting for its agricultural sector policies. In particular, some organizations and countries would likely argue that Argentina's export taxes and other export restrictions are contributing to higher world food prices. The Minister agreed to flag this for the President.

¶8. (C) Comment: The criticism of Minister Fernandez is not that he is unqualified for the position, although many local economists wish he had more experience on macroeconomic

BUENOS AIR 00000754 002 OF 002

issues. Rather, it is that his sole purpose is to slavishly implement the decisions of the "real" Economic Minister in Argentina, ex-President Nestor Kirchner. Fernandez certainly did not offer much substantive comment during this meeting, confirming his reputation for being a cautious person. Whereas he proved slightly more loquacious during the subsequent meeting on May 29 with Senator Dodd (septel), our first impression is that it may take a bit more time to develop an open dialogue on sensitive issues such as Paris Club and Holdout bondholders than it did with his four predecessors in the last two years. End Comment.

¶9. (SBU) Bio Note: Carlos Fernandez has been in public service for 25 years. Five weeks prior to being named Minister of Economy, he was designated as the head of the Administracion Federal de Ingresos Publicos (AFIP, IRS-equivalent). From 2003 until that appointment, he worked in the Ministry of Economy as Secretary of Hacienda (Treasury), Under Secretary of Budget Evaluation, and Under Secretary of Provincial Relations. From 1997-2003, he was the Under Secretary of Fiscal Policy and Coordination for the Province of Buenos Aires. From 1989-1997, he served as National Director of Fiscal Coordination with the Provinces in the Ministry of Economy; prior to that, he worked in the Secretariat of Hacienda in the Ministry of Economy. Fernandez graduated with a degree in economics from the University of La Plata in 1979, with specialization in public finance and tax and financial administration.

WAYNE